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CLIMATE
INVESTMENT
FUNDS



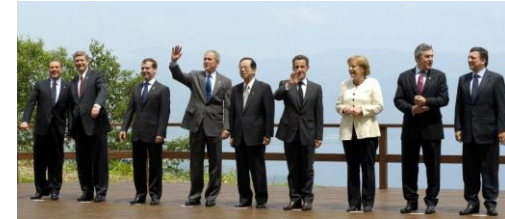
September, 2019



Background

Background: Climate Investment Funds

- In 2008, leaders of the G8 decided during a Summit in Hokkaido, Japan, that a fast-moving, multilateral response was required to address the climate challenge
- In the months and years that followed, four priority areas were identified as areas in dire need of a 'push' that MDBs had the expertise, and scale, to lead:
 - Scaled-up financing for low-carbon technologies
 - Sustainable forestry
 - Coordinated resilience efforts at scale
 - Demonstration of viability of renewable energy in low income countries
- These priority sectors formed the basis for the four ensuring CIF programs: CTF, FIP, PPCR, and SREP



Background: Climate Investment Funds

The CIFs have optimized their resources, mobilizing over \$58 billion in co-financing – including over \$16 billion from the private sector – from just \$8.3 billion.

Clean Technology Fund (CTF)

- \$5.5 billion in programming
- 26.5 Gw of installed renewable energy capacity expected
- \$5b approved expected to mobilize \$46b in co-financing expected

Forest Investment Program (FIP)

- \$735 million in programming
- 36m ha of forests to be under improved management
- \$80m Dedicated Grant Mechanism now generating results

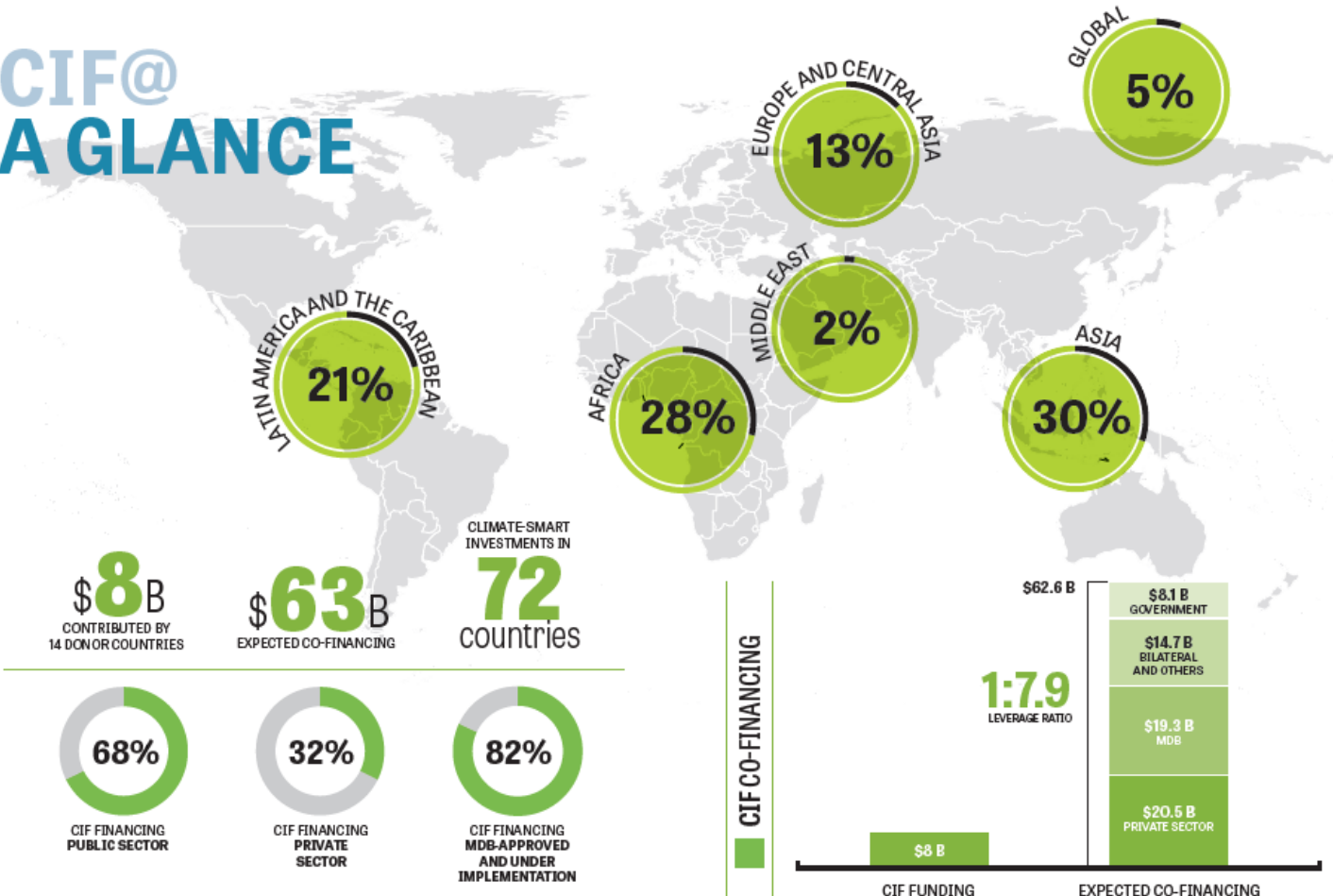
Scaling Up Renewable Energy Program (SREP)

- \$750 million in programming
- 300,000+ businesses with improved energy access expected
- Funds fully approved; \$2.6b in co-financing expected

Pilot Program Climate Resilience (PPCR)

- \$1.1 billion in programming
- 45m people and 44k businesses supported to cope with effects of climate change
- \$1b approved expected to mobilize \$2b in co-financing expected

CIF@ A GLANCE



Source: www.climateinvestmentfunds.org

CIF's Global Impact

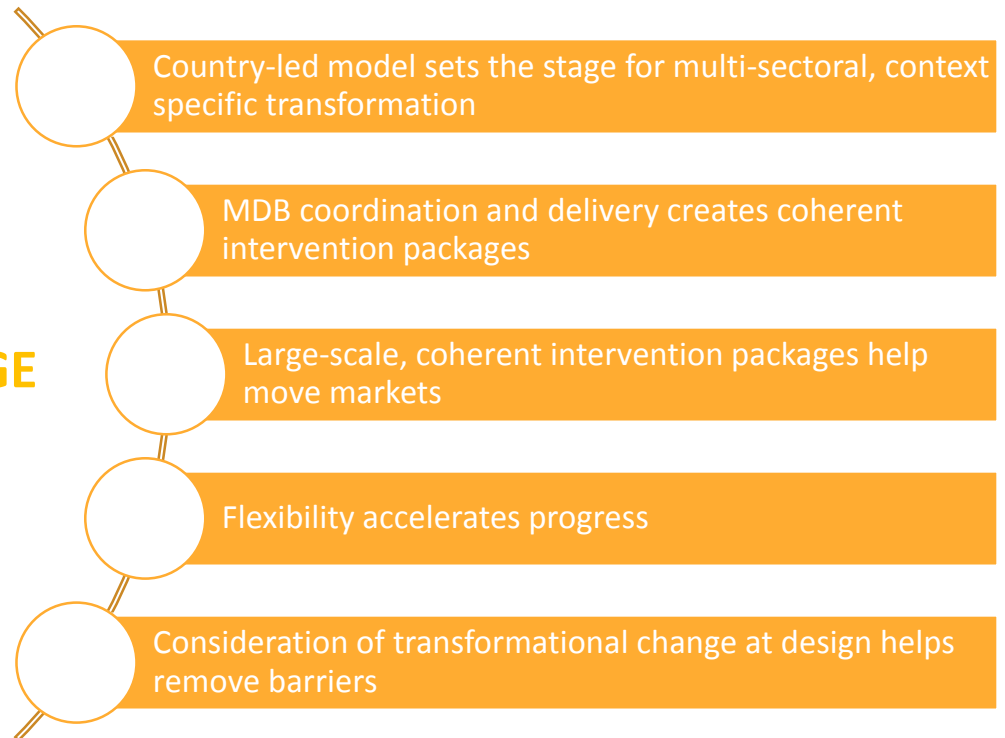
Our more than 300 programs in 72 developing countries are leading to the following results:

- 26,500 MW in clean power, which is more than the total power capacity of Vietnam and almost the same as Netherlands (26.6 GW)
- 8.5 million people with improved access to energy, which is equivalent to the population of Switzerland or Sierra Leone
- 51 million tons in GHG emission reductions a year, which is equivalent to taking all the cars in Pakistan or South Africa off the road (10 million cars)
- Over 10,000 GWh/year energy saved, which is the equivalent of total annual electricity production of Uruguay
- Over 36 million ha of forests under improved management, the area of Congo or Germany
- 45 million people supported to cope with effects of climate change, more than the population of Argentina or Sudan

CIF's Business Model

Three independent studies find that CIF's design is unique among climate funds and it has 5 key elements that have helped it drive transformational change

SYSTEMS LEVEL CHANGE



The CIF Business Model and MDB Partnership

- The core of CIF is in its country-driven business model.
- This model is based on tried-and-tested business and governance policies and procedures designed to align with country demands, allowing MDBs to effectively and expediently deploy funds across a range of sectors and operating lines.
- This model has generated high levels of efficiency in the delivery of climate finance, unparalleled in the architecture by other funds.
- The CIF business model can, and should, continue to be adjusted to adapt to prevailing market conditions and demand for new types of programming to help countries meet emerging climate challenges.

The CIF Business Model and MDB Partnership

Key Components of CIF Business Model:

- Risk-Appropriate Financing Tools, at Scale:
 - Array of financing tools - concessional loans, equity, local currency financing, guarantees
 - Such resources have been instrumental in pushing MDBs to enter new markets and grow new low-carbon segments of their business, helping countries accelerate towards reaching their NDCs while attracting billions of dollars in private sector investment.
- Ability to Target New Sectors and Technologies for Transformational Impact:
 - The CIF model enables MDBs to significantly change the market landscape for targeted sectors/technologies.
 - E.g. the \$1 billion+ CIF funds for concentrated solar power, the \$1 billion for geothermal, and the \$1.2 billion for climate resilience.
 - Combination of funding volume, risk appetite, policy support, and facilitated MDB cooperation for deploying technologies at the national and global levels made a significant impact in markets that received CIF funds, as well as in associated markets around the globe.
- Programmatic Approach:
 - CIF is the only climate fund to prioritize a programmatic approach as its primary model of delivery.
 - This offers an organized and consultative way to prioritize investments, a platform for MDB cooperation, and the certainty of available scaled-up resources to increase ownership at the country level
- Flexibility:
 - Flexibility of the CIF model enables it to learn by doing, course-correct, and adapt programs based on experiences and lessons learned. This flexibility provides the space, freedom, and capacity to test new methods and approaches, e.g. CTF DPSP and FIP DGM.
 - This flexibility also allows for the CIF to pivot away from its existing programs – which were based on priorities of the previous decade – to focus on transformational programming in new sectors



Future of the CIF



Future of the CIF: New Action Areas

Building on the last ten years of success under the CIF, MDBs are developing new strategic action areas to drive needed climate action where the CIF has a distinct comparative advantage over other instruments of the climate finance architecture.

The MDBs have developed four new CIF programs that will be presented to CIF TFC for decision in its next meeting:

- Global Program for Large-Scale Integration of Renewable Energy
- Global Program for Accelerating the Low-carbon Transition in Industry
- Global Program for Sustainable Landscape Management
- **Global Program for Climate-Smart Urbanization**

The new CIF programs have been designed to:

- focus on frontier technologies/markets or business models with transformational potential in the short to medium term;
- target challenge areas that require a CIF type business model (flexible, scaled-up, multi-MDB, programmatic approach);
- be deployed in areas that have a significant opportunity for private sector investment and
- help channel dedicated and scaled-up support in areas that are currently insufficiently supported by the climate finance architecture.

Challenges to low-carbon and climate-resilient cities

Rapid Urbanization

2/3

of world's population will be living with infrastructure & planning decisions made today

60%

of new 2030 urban land has yet to be developed in rapidly growing smaller cities

2.5 billion

new urban dwellers will be living in rapidly expanding and new secondary cities in Asia and Africa by 2050



Long-term impact of today's infrastructure & planning decisions

70%

of global low-carbon & climate-resilient infrastructure will be built in urban areas

\$4.5 trillion

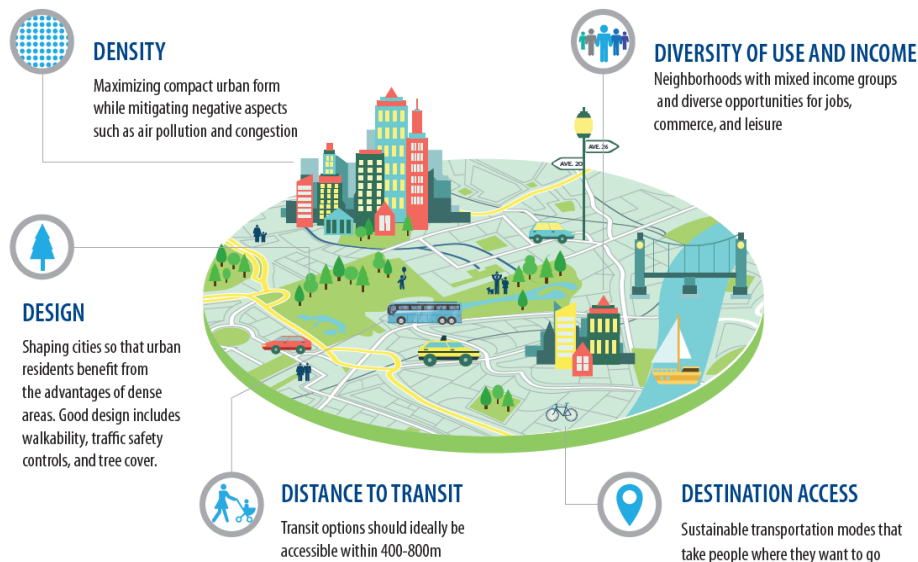
to \$5.4 trillion per year is the estimated cost of global low-carbon and climate-resilient infrastructure

3/4

of sustainable infrastructure financing gap for 2015-2030 is in urban areas

Many global risks of climate change are concentrated in urban areas leading to negative impacts on cities infrastructure and deteriorated access to basic urban services and quality of life

Cities must act now to drive low-carbon and climate-resilient urban development



Source: UN Environment, *GI REC, IRP, 2017*

- Cities can contribute significantly to bridge the global emissions gap and strength urban climate resilience
- Strategic spatial planning is one of the key city-level policy levers that shape development choices by informing the prioritization of infrastructure investments
- Cities' governments are at the forefront of the communities facing climate-related issues and understand their needs and ability to respond

Innovative approaches are required to mainstream climate-related considerations into strategic spatial and investment planning and bring these plans to implementation

Barriers to low-carbon and climate-resilient cities

Meeting the climate and sustainable development goals depends on compact, connected, and coordinated use of urban land. This requires an urgent overhaul of the current urban development paradigm and, thereby, the tackling of systemic barriers to cities' climate action



Institutional and regulatory barriers

- Institutional inertia including governance failures and short-termism
- Weak institutional capacity, knowledge and skills



Financial and economic barriers

- Inadequate access to finance
- Misaligned incentives
- Legal barriers undermining PPPs
- Insufficient and/or uncertain risk-adjusted returns



Technology barriers and challenges

- Limited technical capacity and data availability to evaluate & prepare climate-related impacts



Socio-cultural barriers

- Inadequate public awareness of climate-related risks and impacts

Connecting cities with financing is essential to support action

Different traditional and innovative financing mechanisms are used to finance urban infrastructure:

- Public-private partnerships
- Targeted taxes and incentives
- Land value capture
- Debt financing (green bonds)
- Dedicated vehicles
- Resilience bonds
- Climate insurance

These mechanisms largely benefit creditworthy metropolises and megacities, but vast majority of intermediary cities need support to:

- Ensure sustained attention to policies underpinning their creditworthiness,
- Establish solid and stable climate finance ecosystems
- Integrate climate considerations into development frameworks.

Innovative financial and collaborative approaches will be key to preparing bankable projects, developing domestic financial markets, and mobilizing private financing for local investment

International concessional finance to help boost transformation

Grants

to provide upfront support to the preparation and implementation of city-level climate-informed strategic investment plans and will help to avoid the myopic prioritization

The degree of concessionality

to overcome barriers at the investment stage depending on the nature and severity of the barriers to be addressed at the city level

to help de-risking catalytic, first-of-their-kind private sector investments to support low-carbon and climate-resilient

Catalytic effects of policy-enabling environment

to maximize the leverage of climate finance by crowding in private finance once the tipping point is reached

Main objectives

Support cities in developing countries around the world to accelerate implementation of ambitious and transformative investments and policy actions that significantly contribute to transitioning to low-carbon and climate-resilient urbanization pathways

1

Scale-up support to cities to achieve sustainable development patterns through climate-informed strategic & investment planning

2

Support financing and implementation of strategically-aligned public & private investments to translate plans into action

3

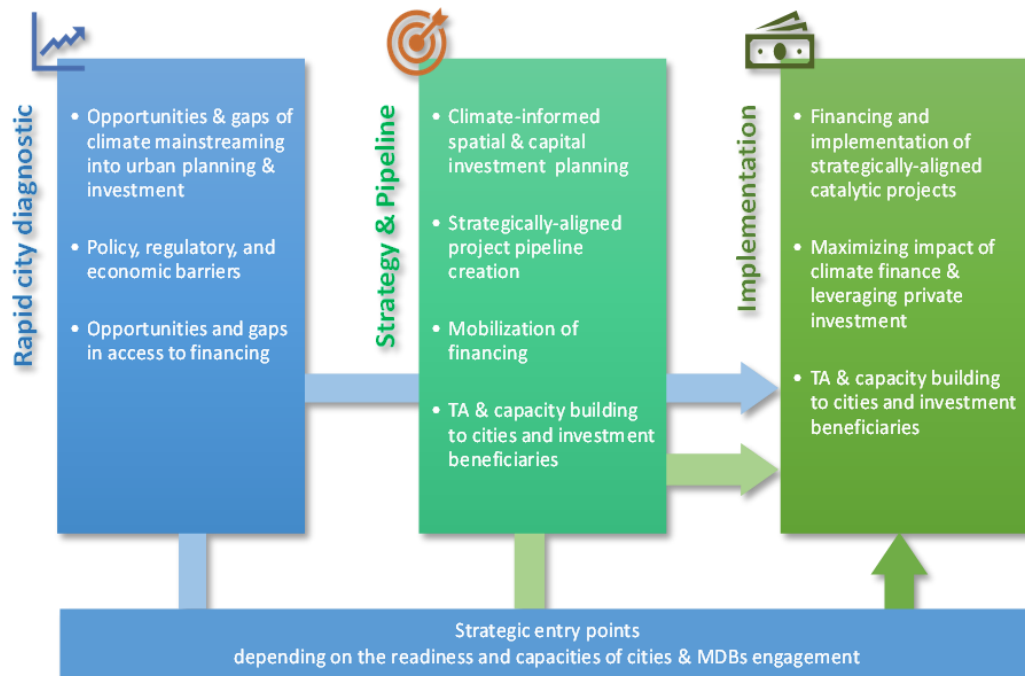
Support data-driven participatory climate action planning to help transition toward long-term low-carbon climate-resilient pathways

4

Enabling municipal and/or sub-national entities to attract private sector investments via capital markets

The Program's solution is a multi-phased approach to diagnose, plan and invest

Multi-phased approach: strategically-aligned deployment



Inclusive sectoral coverage



- Achieving good density
- Transforming motor-dominated corridors into transit-oriented development
- Promoting electrification of public & private transportation
- Enhancing the use of renewable energy
- Low-carbon resilient housing stock, energy efficient infrastructure & services
- System approach for efficient cooling
- Integrated waste management
- Green spaces

... enabled by the targeted use of flexible concessional resources through the CIF's business model

Programmatic participatory approach

To align multiple actors' behavior and incentives around a common transformative vision

Multi-MDBs coordination & action

To foster strategic partnerships, mobilize institutional and political support and resources toward strategically-linked interventions

Scaled-up, predictable, and flexible concessional resources

To increase cities ownership, remove barriers and bring investment plans to action



10 YEARS OF CLIMATE ACTION

climateinvestmentfunds.org



AFRICAN DEVELOPMENT BANK GROUP

